

**CITY OF FOSTORIA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**APRIL 1, 2020 THROUGH MARCH 31, 2021**

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## City of Fostoria

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Marlin Voss	Mayor	Jan 2020	Jan 2022
Randall Anderson	Council Member	Jan 2020	Jan 2024
Lora Elsenbast	Council Member	Jan 2020	Jan 2024
Linda Linn	Council Member	Jan 2018	Jan 2022
Erin Rabel	Council Member	Jan 2018	Jan 2022
Aaron Rutter	Council Member	Jan 2018	Jan 2022
Robin Schmidt	City Clerk/Treasurer		Indefinite

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Honorable Mayor  
and Members of the City Council  
City of Fostoria

I performed the procedures below which were established at Iowa Code Chapter 11.6, to provide oversight of certain Iowa cities. Accordingly, I have applied certain procedures to selected accounting records and related information of the City of Fostoria for the period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Fostoria's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The City of Fostoria's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa recommendations. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor and  
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City of Fostoria

7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. The City had no debt.
10. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. The City had no transfers.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

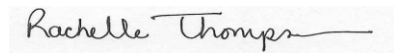
Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was engaged by the City of Fostoria's management to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Fostoria and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

To the Honorable Mayor and  
Members of the City Council  
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The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rachelle Thompson". The signature is written in black ink on a light-colored, slightly textured background.

Rachelle K. Thompson, CPA  
Hampton, Iowa

October 7, 2021

**Detailed Findings and Recommendations**

**City of Fostoria**  
**Detailed Findings and Recommendations**  
**For the period April 1, 2020 through March 31, 2021**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) City of Fostoria Fire Department – All accounting functions are handled by one individual without adequate compensating controls. In addition, the department maintains separate accounting records for their operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – The Fire Department should segregate accounting duties to the extent possible. In addition, Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- (C) Cash and Investment Reconciliations – The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year, however, the certificates of deposit list did not agree to the general ledger for the months tested. At June 30, 2020, certificates of deposit per the investment reconciliation totaled \$17,234 more than the amount recorded in the general ledger. In addition, reconciliations did not show the review of an independent person.

Recommendation – The City should establish procedures to ensure investment balances posted in the general ledger reconcile to the bank balance and the City should maintain a list of certificates of deposit which includes interest rate, maturity date and balance. The City should also designate an independent person to review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.



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- (D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (E) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be signed by the Mayor and City Clerk, posted/published within fifteen days of the meeting, include a list of claims along with the purpose of each claim, a summary of receipts by fund, a summary of total disbursements by fund and a summary of ordinances or amendments adopted. Annual individual gross salaries are also required to be posted/published. For the minutes tested, it was noted there was no summary of receipts by fund, and no summary of total disbursements by fund.

Recommendation – The City should comply with the Chapter 372.13(6) of the Code of Iowa. The City should ensure the minutes include a summary of receipts by fund and a summary of total disbursements by fund.

- (F) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (G) Reports to Council – Monthly Clerk's reports provided to Council do not include a report of actual expense compared to the certified budget by function.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function.

- (H) Annual Financial Reporting – The total beginning and ending cash balances on the fiscal year 2020 Annual Financial Report (AFR) did not agree to the City's general ledger. Total ending cash balance reported on the AFR was \$121,798 more than the City's records. Total receipts and disbursement reported on the fiscal year 2020 AFR did not agree to City records. In addition, Budget column (d) did not agree to the certified budget.

Recommendation – The City should implement procedures to ensure financial transactions are properly recorded and the AFR agrees to City records.

- (I) Payroll – Timesheets did not include evidence of supervisory review. Additionally, City officials and City Clerk are paid an amount set by Council, however, no documentation of approved pay rates could be located in the minutes.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. In addition, all salary and wage increases should be approved by Council as a specific dollar amount and documented in the minutes.

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- (J) Financial Condition – At June 30, 2020, the City had a deficit balance of \$86,735 in the Enterprise - Water Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.